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MEMORANDUM  
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Arizona Corporation Commission

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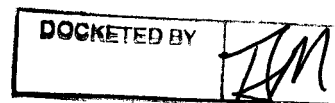
AZ CORP COMMISSION  
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: January 17, 2013

RE: UNS ELECTRIC INC. – APPLICATION FOR APPROVAL OF ITS 2013  
RENEWABLE ENERGY STANDARD AND TARIFF IMPLEMENTATION PLAN  
(DOCKET NO. E-04204A-12-0297)



Staff provides the following further discussion regarding the Track and Record proposal for evaluating whether utilities have achieved compliance under the Commission's Renewable Energy Standard and Tariff ("REST") rules.

A number of stakeholders have filed comments in the REST proceedings for Arizona Public Service Company (Docket No. E-01345A-12-0290) and Tucson Electric Power Company (Docket No. E-01933A-12-0296) on the "Track and Record" proposal. In these comments, stakeholders have raised a variety of concerns about the "Track and Record" proposal. The comments indicate that controversies exist over the "Track and Record" proposal; therefore, the issues related to this proposal and potential alternatives appear to be better suited for a hearing.

Although Staff believes that the "Track and Record" proposal has merit, Staff understands how some parties may believe that "Track and Record" may be inconsistent with the existing provisions of the REST rules. Because of the number and tenor of the comments, Staff recommends that the "Track and Record" proposal not be adopted at this time, thereby maintaining the status quo.

However, Staff believes that the Track and Record proposal merits serious consideration, and the issue should ultimately be decided by the Commission. Consistent with the APS and TEP REST proceedings, at this time, Staff recommends that the Commission act upon all aspects of UNS' plan except the "Track and Record" proposal. Staff recommends that the "Track and Record" proposal should be subject to a hearing. The Commission should direct the Hearing Division to schedule a procedural conference, entertain requests for intervention, hold a hearing, and prepare a Recommended Opinion and Order for Commission consideration on the "Track and Record" proposal and potential alternatives.

As part of its track and record proposal, UNS proposed to count certain 2012 renewable projects that did not receive incentives toward UNS' compliance requirements under the REST rules. This request should be denied. Staff recognizes that UNS' ability to comply with its 2013

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REST requirement could be impacted by the Commission's acting on "Track and Record" (or another potential alternative) at a later date. Therefore, UNS may file with the Commission, at an appropriate time, for a remedy if UNS believes that its ability to comply with its 2013 REST requirement has been affected.

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form the name 'Steven M. Olea'.

Steven M. Olea  
Director  
Utilities Division

SMO:RGG:lhmvJFW

ORIGINATOR: Robert Gray

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DOCKET NO. E-04204A-12-0297

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